



e-Therapeutics plc
("e-Therapeutics" or the "Company")

Interim Results for the six months ended 31 July 2011

19 October 2011- e-Therapeutics plc (AIM: ETX), the drug discovery and development company, today announces its interim results for the six months ended 31 July 2011.

Highlights

Drug discovery activity renewed

- New wave of work begins using network pharmacology platform
- Focus on cancer and neurodegenerative diseases
- Platform gains further intellectual property protection (announced September)

Clinical development programmes advanced

- Four drugs prioritised, targeting cancer, infections and psychiatry
- Preparations on course for four trial starts in early 2012
- Extensive clinical data expected in 2012 and 2013

Business evolving to meet new challenges

- Development programmes reviewed and revised by new Development Director Steve Self
- Daniel Elger joins as CFO, bringing added biotech, oncology and commercial experience
- First scientists hired for new network pharmacology discovery unit at Oxford

Balance sheet strengthened

- Equity placing raises net £16.7 million to invest in discovery and development
- Loan debt of £1.0 million repaid
- Cash and liquid resources of £15.3 million at 31 July 2011 (31 July 2010: £1.8 million; 31 Jan 2011: £0.9 million)
- Half-year net loss of £1.5 million (2010: loss of £1.0 million) reflects investment in business

Commenting on the Results, Professor Malcolm Young, CEO of e-Therapeutics, said: "We now have the funds we need to advance our clinical-stage drugs through key milestones and to generate new drug candidates using our unique discovery platform in network pharmacology. e-Therapeutics has never been in a stronger position from which to create value for shareholders."

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Chairman's statement

Overview

In March we recapitalised the business through a substantial fundraising supported by new and existing investors. This has enabled us both to restart drug discovery activity and to take forward in the clinic the most promising candidates generated by our earlier discovery programmes.

Discovery restarted

We have begun a new wave of drug discovery using our proprietary technology platform in network pharmacology. In planning this, we have chosen to target complex diseases in which we believe our technology has particular strengths; we are concentrating mainly on cancer and degenerative diseases of the nervous system. We have recruited a first cohort of additional scientists from a variety of disciplines critical to our discovery approach. They will soon move, together with others joining over coming months, to the dedicated network pharmacology discovery unit we are establishing near Oxford, one of the world's leading centres for the science underpinning our work.

Renewal of our discovery efforts will enable us to build up a pool of drug candidates from which we will select the most attractive, based on technical, clinical and commercial criteria, to advance into the clinic. The new investment may also lead to opportunities for discovery collaborations with selected pharmaceutical partners. Our leading position in network pharmacology-based drug discovery gained further support during September with the award of a third U.S. patent for our platform.

Development programme on track

Plans for clinical development of the Company's drugs were reviewed and revised by our new Development Director Steve Self at the beginning of the current period. Four drugs resulting from earlier discovery work were prioritised. These are led by ETS2101, an anti-cancer candidate, and ETX1153c, a novel approach to the treatment of patients harbouring the potentially lethal bacterium *C. difficile*. We indicated with our full-year results in July that we expected to report phase II data on two candidates and phase I data on two candidates by the end of 2013. We remain on track to meet these goals and have made significant further progress since July in preparing the drugs for their forthcoming trials.

Our aim in development is to take our drug candidates through significant value-enhancing steps, such as completion of phase II 'proof-of-concept' trials. We plan to realise value through licensing deals with pharmaceutical partners, in which we will grant rights to commercialise products in exchange for upfront and milestone payments, funding of further development and royalties on sales.

ETS2101 (Anti-cancer)

We have embarked on discussions with the UK regulator about plans for phase I testing of ETS2101 and are on course to start a trial in early 2012. This will enrol patients with various solid tumours and will determine the maximum tolerated dose of the drug, as well as looking for initial evidence of anti-cancer activity. It should provide important pointers to the range of cancers in which ETS2101 could provide benefit, guiding choices for further trials. Soon after initiation of the UK study, we plan to start a phase I trial in the US. This will also assess dosing, safety and activity, but will enrol only patients with primary brain cancer (glioma) or cancer from other sites that has spread (metastasised) to the brain. The US trial will be led by a senior investigator at a major centre for the treatment of brain cancer. Our decision to run a focused brain cancer trial in parallel with a broad 'all-comers' study is based on particularly promising preclinical data from glioma cell lines and the ability of ETS2101, unlike many current cancer drugs, to cross the blood-brain barrier. We expect initial data from both trials in 2012 and final data in 2013.

ETX1153c (C. difficile)

We have completed work to formulate ETX1153c as a coated tablet in readiness for clinical development. We expect to finish our remaining preclinical studies this year and to start a phase I clinical trial in healthy volunteers early in 2012. This keeps us on course to complete phase I development next year, after which we will progress rapidly to a phase II proof-of-concept study provided safety data are supportive. We are encouraged by preclinical data showing that ETX1153c is effective against *C. difficile* strains resistant to currently available treatments. If this is also apparent in the clinic, we believe the drug will have strong commercial potential.

ETS6103 (Major depressive disorder)

Our third drug, ETS6103, is being developed for major depressive disorder and is on track to enter a phase IIIb trial in early 2012. We have held further discussions with relevant experts about how best to design this trial. It will be conducted in patients who have failed treatment with drugs from the 'SSRI' class, a current standard therapy. The



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phase IIb trial will build on a small phase IIa study that provided encouraging results when it compared ETS6103 with the established drug amitriptyline.

ETX1153a (Hospital infections)

Our fourth clinical product is ETX1153a, a topical anti-infective for resistant hospital-based infections, which we expect to enter phase I testing in the second half of 2012.

Financial review

In March we raised £16.7 million net of expenses in an equity placing. As a result, the Company finished the period with a greatly enhanced cash balance of £15.3 million (July 31 2010: £1.8 million; January 31 2011: £0.9 million).

We used a small proportion of the placing proceeds to remove the debt from our balance sheet, redeeming £1.0 million of loan notes and paying the interest due to the date of redemption. At the same time, a majority of our outstanding warrants were converted into ordinary shares, limiting any future dilution associated with these instruments. More details are provided in the Notes to these interim results.

Our increasing investment in discovery and development is reflected in an increase in our first-half net loss to £1.5 million from £1.0 million during the equivalent period last year. There were no revenues to offset our operating expenses (H1 2011: nil). The income statement shows tax receivable of £254,000 for the first half, reflecting our expected receipt of R&D tax credits associated with qualifying R&D expenditure.

The Company's strategy is to license its products to pharmaceutical companies for late-stage development and commercialisation. The Company may also enter discovery collaborations with selected partners. We anticipate continuing losses until revenues from these sources exceed investment in R&D. As indicated previously, we expect our current funds to support our planned investment in discovery and development until 2014 even in the absence of any income from partners.

Organisational changes

During the period we appointed Dr Daniel Elger as Chief Financial Officer. Daniel was previously at Antisoma plc, where he played significant roles in corporate strategy, fundraisings and the acquisition of two US biotech companies. Former Finance Director John Cordiner has left the Company and on behalf of the Board I would like to thank him for his contribution to the Company's development.

Outlook

We look forward with confidence based on the carefully planned investment we are making in drug discovery and development. During 2012, we expect to see the first data from our new programme of clinical trials. We are equally excited about the next wave of discovery work with our platform and continue to believe that our unique position in network pharmacology provides a solid basis for sustained value creation.

Professor Oliver James

19 October 2011



**GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 JULY 2011**

	6 months ended 31 July 2011 (un-audited)	6 months ended 31 July 2010 (un-audited)	12 months ended 31 January 2011 (audited)
	£000	£000	£000
Revenue	-	-	-
Cost of sales	-	(18)	-
Gross profit	-	(18)	-
Other operating income	-	-	-
Operating expenses	(1,834)	(1,201)	(2,475)
Operating loss	(1,834)	(1,219)	(2,475)
Finance expense	(26)	-	(194)
Finance revenue	63	9	14
Loss before taxation	(1,797)	(1,210)	(2,655)
Taxation	254	190	342
Loss for the period	(1,543)	(1,020)	(2,313)
Loss per share – basic and diluted	(1.25)p	(1.55)p	(3.51)p

The results shown above relate entirely to continuing operations. There are no recognised gains and losses other than those passing through the income statement.

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 JULY 2011**

	6 months ended 31 July 2011 (un-audited)	6 months ended 31 July 2010 (un-audited)	12 months ended 31 January 2011 (audited)
	£000	£000	£000
Loss for the period	(1,543)	(1,020)	(2,313)
Other comprehensive income	-	-	-
Total comprehensive income for the period	(1,543)	(1,020)	(2,313)



GROUP BALANCE SHEET
AT 31 JULY 2011

	Notes	31 July 2011 (un-audited) £000	31 July 2010 (un-audited) £000	31 January 2011 (audited) £000
ASSETS				
Non-current assets				
Property, plant and equipment		33	23	16
Goodwill		-	-	-
Intangible assets	2	331	355	272
		364	378	288
Current assets				
Cash and cash equivalents		15,296	1,801	927
Trade and other receivables		878	587	444
		16,174	2,388	1,371
Total assets		16,538	2,766	1,659
LIABILITIES				
Current liabilities				
Trade and other payables		126	203	351
Long-term liabilities				
Loan	3	-	1,032	1,035
Total liabilities		126	1,235	1,386
Net assets		16,412	1,531	273
EQUITY				
Share capital	4	138	66	66
Share premium account	4	25,552	7,637	7,654
Warrant reserve	4	132	420	420
Retained earnings	4	(9,410)	(6,592)	(7,867)
Capital and reserves attributable to equity holders	4	16,412	1,531	273

**GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 JULY 2011**

	Six months ended 31 July 2011 (un-audited) £000	Six months ended 31 July 2010 (un-audited) £000	Twelve months ended 31 January 2011 (audited) £000
Cash flows from operating activities			
Loss for the period	(1,543)	(1,020)	(2,313)
Adjustments for:			
Depreciation, amortisation and impairment	22	11	135
Financial income	(63)	(9)	(14)
Financial expenses	26	-	194
Equity-settled share-based payment expenses	-	-	18
Taxation	(254)	-	(342)
	(1,812)	(1,018)	(2,322)
(Increase)/ decrease in trade and other receivables	(46)	(38)	(26)
(Decrease)/increase in trade and other payables	11	3	(40)
Tax received	-	-	473
Net cash from operating activities	(1,847)	(1,053)	(1,915)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	-	-	-
Interest received	59	9	14
Acquisition of property, plant and equipment	(24)	(4)	(4)
Acquisition of other intangible assets	(74)	(96)	(130)
Net cash from investing activities	(39)	(91)	(120)
Cash flows from financing activities			
Issue of share capital	17,553	65	82
Issue of loan notes	(1,049)	-	-
Interest paid	(249)	-	-
Net cash from financing activities	16,255	65	82
Net increase/(decrease) in cash and cash equivalents	14,369	(1,079)	(1,953)
Cash and cash equivalents at the beginning of the period	927	2,880	2,880
Cash and cash equivalents at the end of the period	15,296	1,801	927



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GROUP STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 JULY 2011

	Share capital	Share premium	Warrant Reserve	Retained Earnings	Total
	£000	£000	£000	£000	£000
As at 1 February 2010	65	7,573	420	(5,572)	2,486
Total comprehensive income for the period					
Loss for the period	-	-	-	(1,020)	(1,020)
Total comprehensive income for the period	-	-	-	(1,020)	(1,020)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	1	64	-	-	65
Total contributions by and distribution to owners	1	64	-	-	65
As at 31 July 2010	66	7,637	420	(6,592)	1,531
As at 1 August 2010	66	7,637	420	(6,592)	1,531
Total comprehensive income for the period					
Loss for the period	-	-	-	(1,293)	(1,293)
Total comprehensive income for the period	-	-	-	(1,293)	(1,293)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	17	-	-	17
Equity-settled share-based payment transactions	-	-	-	18	18
Total contributions by and distribution to owners	-	17	-	18	35
As at 31 January 2011	66	7,654	420	(7,867)	273
As at 1 February 2011	66	7,654	420	(7,867)	273
Total comprehensive income for the period					
Loss for the financial period	-	-	-	(1,543)	(1,543)
Total comprehensive income for the period	-	-	-	(1,543)	(1,543)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	72	17,610	-	-	17,682
Warrants exercised and issued	-	288	(288)	-	-
Total contributions by and distribution to owners	72	17,898	(288)	-	17,682
As at 31 July 2011	138	25,552	132	(9,410)	16,412

1. Basis of Preparation

These unaudited interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Company is a public limited company; it is listed on the London Stock Exchange's AIM market and is incorporated and domiciled in the United Kingdom. The address of its registered office is Block B, Holland Park, Holland Drive, Newcastle upon Tyne, NE2 4LZ, UK.

Statutory accounts for the year ended 31 January 2011 were approved by the Board of Directors on 25 July 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This interim statement, which is neither audited nor reviewed, has been prepared in accordance with the measurement and recognition criteria of Adopted IFRSs. It does not include all the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 January 2011. It does not comply with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as is permissible under the rules of AIM. The accounting policies applied in preparing these interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 January 2011 (as described in those financial statements) other than standards, amendments and interpretations which became effective after 1 February 2011 and were adopted by the Group. These have had no significant impact on the Group's result for the period or its equity.

2. Goodwill and Intangible Assets

Group

	Patents and trademarks	Total
	£000	£000
Cost		
Balance as at 1 February 2010	259	259
Other acquisitions – internally developed	96	96
Balance as at 31 July 2010	355	355
Other acquisitions – internally developed	34	34
Balance as at 31 January 2011	389	389
Other acquisitions – internally developed	74	74
Balance as at 31 July 2011	463	463
Amortisation and impairment		
Balance as at 1 February 2010	-	-
Amortisation and impairment charge	-	-
Balance as at 31 July 2010	-	-
Amortisation and impairment charge	117	117
Balance as at 31 January 2011	117	117
Amortisation	1	1
Impairment	14	14
Balance at 31 July 2011	132	132
Net book value		
As at 31 July 2010	355	355
As at 31 January 2011	272	272
As at 31 July 2011	331	331

3. Long Term Liabilities

	31 July 2011 (un-audited) £000	31 July 2010 (un-audited) £000	31 January 2011 (audited) £000
Loan Notes	-	1,032	1,035
	<u>-</u>	<u>1,032</u>	<u>1,035</u>

On 8 March 2011, all of the Company's outstanding loan notes of £1,049,233 were redeemed and all interest due to the date of redemption paid. A financial expense of £14,000 has been recognised in the income statement to reflect the write off of capitalised arrangement costs associated with the early redemption of the loan notes.

4. Capital and Reserves

Reconciliation of movement in capital and reserves

Group

	Share Capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total parent equity £000
Balance at 1 February 2010	65	7,573	420	(5,572)	2,486
Issue of ordinary share capital	1	64	-	-	65
Total recognised income and expense	-	-	-	(1,020)	(1,020)
Balance at 31 July 2010	66	7,637	420	(6,592)	1,531
Balance at 1 August 2010	66	7,637	420	(6,592)	1,531
Issue of ordinary share capital	-	17	-	-	17
Share based payments	-	-	-	18	18
Total recognised income and expense	-	-	-	(1,293)	(1,293)
Balance at 31 January 2011	66	7,654	420	(7,867)	273
Balance at 1 February 2011	66	7,654	420	(7,867)	273
Issue of ordinary share capital	72	17,610	-	-	17,682
Warrants exercised and issued	-	288	(288)	-	-
Total recognised income and expense	-	-	-	(1,543)	(1,543)
Balance at 31 July 2011	138	25,552	132	(9,410)	16,412

Share capital

	31 July 2011 (un-audited)	31 July 2010 (un-audited)
In issue – fully paid (in thousands of shares)	138,126	65,887

	31 July 2011 £000 (unaudited)	31 July 2010 £000 (unaudited)
Allotted, called up and fully paid		
Ordinary shares of £0.001 each	<u>138</u>	66
	<u>138</u>	66
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	<u>138</u>	66
	<u>138</u>	66

In March 2011, the Company raised £17,612,635 (£16,673,562 net of expenses) through a placing of 67,740,904 new ordinary shares; this is reflected in an increase in share capital of £67,741 and a credit of £16,605,822 to the share premium account. Warrants over 677,409 ordinary shares were issued in association with the placing; this is reflected in a debit of £108,385 from the share premium account and a corresponding credit to the warrant reserve. The warrants issued in connection with the placing are capable of being exercised at the warrant holders' discretion at a price of 26p until 4 March 2014.

Before the placing and the issue of new warrants described above, there were warrants outstanding over 3,497,443 ordinary shares. 3,299,111 of these warrants were converted to ordinary shares at the time of the placing, while 198,332 remained unexercised. This conversion of warrants to shares is reflected in a reduction of the warrant reserve by £396,183 and an equal credit to the share premium account. The issue of new shares resulting from this exercise of warrants is reflected in an increase in the Company's share capital of £3,299 and a further credit to the share premium account of £854,470. The 198,332 warrants that were not converted are capable of being exercised at the warrant holders' discretion at a price of up to 30 pence per share until 16 March 2014.

During the period, exercise of options over 1,077,920 ordinary shares by staff and former staff led to an additional increase of £1,078 in the share capital of the Company and a credit of £148,753 to the share premium account.